

**RED CLAY CONSOLIDATED  
SCHOOL DISTRICT**

**INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING  
AGREED-UPON PROCEDURES**

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## Independent Accountants' Report on Applying Agreed-Upon Procedures

The Honorable Valerie A. Woodruff  
Secretary, Department of Education  
Townsend Building, Suite 2  
401 Federal Street  
Dover, DE 19903-1402

Dr. Robert J. Andrzejewski  
Superintendent  
Red Clay Consolidated School District  
4550 New Linden Hill Road  
Wilmington, DE 19808

Dear Secretary Woodruff and Dr. Andrzejewski :

We have performed the procedures enumerated below, which were agreed to by the Department of Education (the DOE) and School District (the District) solely to assist you, the specified parties in evaluating the compliance and effectiveness of the District's internal control over compliance with DE Code Chapters 13 and 17, Senate Bill 385 and DE Admin Code Section 525. Procedures were performed for student accounting and enrollment as of September 30, 2006. In addition, procedures were performed for authorized positions and occupational-vocational unit Division II funding for fiscal year ended June 30, 2006. Management is responsible for the District's internal control over compliance with the requirements related to the above areas.

This agreed-upon procedures attestation engagement was performed in accordance with Government Auditing Standards (2003), issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

### STUDENT ENROLLMENT

**Agreed-Upon Procedure Number 1:** Determine if the District's policies and procedures for preparing, reviewing and reporting the September 30 student count are adequate.

**Finding:** The State of Delaware Budget and Accounting Policy Manual states that department or agency heads are responsible for establishing and maintaining an effective system of internal control. The manual goes on to further state that a well-designed system of controls include written policies and procedures to ensure that each control objective is met. We determined that the District utilizes the DOE manuals and memorandums.

**Finding - continued:** These manuals and memorandums provide guidance regarding the eligibility of students; they do not address the District's internal controls regarding the preparation, review and reporting of the September 30 student count. In addition, the District office provides to school officials through emails and internal mail the District's unit count process and any new or updated procedures. It is our determination that the District does not have their own set of written internal policies and procedures regarding the September 30 student count.

As described later in this report, errors did occur when reporting the September 30 unit count to the State. It was our determination that these errors could have been prevented by developing and maintaining the appropriate documentation in order to comply with The State of Delaware Budget and Accounting Policy Manual.

**Recommendation:** It is our recommendation that the District comply with The State of Delaware Budget and Accounting Policy Manual and compile its current September 30 student count policies and procedures into a formal written set specific to the District and schools to include the following:

- References to pertinent rules and regulations as stipulated by the DOE or DE Code
- Policies and procedures in regard to gathering and maintaining documentation that supports attendance and reported enrollment figures (medical excuses, transfer/entry/withdrawal forms, homebound documentation, documentation relating to children placed in alternative education settings, re-engineered students, etc.)
- Retention policy of records supporting the September 30 student count
- Attendance-taking process in which it should include E-School software procedures (if applicable)
- Verification of attendance by upper level management
- How the District/school ensures that IEP files are current and meet the required guidelines
- How the District/school ensures that required documentation is maintained for students in vocational or co-op programs

**District Response:** The Red Clay Consolidated School District provides internal documentation based on the State Unit Count regulations, including a calendar of internal unit count requirements from each school and regular communication of unit count information throughout the 30 day period prior to the September 30 count. In addition, the District performs training for all school administrators and secretaries before and during the September 30 process. The District acknowledges that this documentation is not consolidated into a single internal policy document. However, the finding implies that there is an absence of procedures which results in the errors and omissions in the unit count. This is not the case. Nonetheless, the District will comply with the finding that the myriad of documents should be consolidated.

**Agreed-Upon Procedure Number 2:** Determine if the District properly reported enrollment figures to the DOE. Calculate the dollar impact of disallowed students, if applicable.

**Finding:** The Delaware Department of Education's A Summary of Delaware Code and Department of Education Regulations for Student Accounting for the September 30 Enrollment and Unit Computation states:

"... each school shall maintain September enrollment records in a manner that will allow for efficient enrollment audits."

***Finding - continued:***

“...enrollment means attending school sometime during the last 10 student attendance days of September or having a legitimate reason for not attending and is expected to return prior to November 1. Supporting documentation must be on file indicating the reason for the absence and an expected return date.”

During the engagement, the following conditions were found:

School	Condition
A.I. duPont High School	Our review of the count showed that a ninth grade regular education student absent during the entire 10 day count period with documentation of an expected return date <b>after</b> the November 1st deadline and who refused homebound services was included in the September 30, 2006 unit count.
Baltz Elementary School	Our review of the count showed that a kindergarten regular education student withdrew from the school prior to September 30, 2006 and was included in the September 30, 2006 unit count.
Conrad Middle School	<p>Our review of the count showed that a seventh grade regular education student absent during the entire 10 day count period with no documentation of an expected return date was included in the September 30, 2006 unit count.</p> <p>Our review of the count showed that an eighth grade regular education student placed in an outside agency during the count period with no documentation of expected return date and who did not return, was included in the September 30, 2006 unit count.</p>
Dickinson High School	<p>Our review of the count showed that a ninth grade regular education student placed in an outside agency during the count period with no documentation of expected return date, was included in the September 30, 2006 unit count.</p> <p>Our review of the count showed that an eleventh grade regular education student registered at the school, but not assigned a schedule pending receipt of records from a neighboring District and who subsequently withdrew, was included in the September 30, 2006 unit count.</p> <p>Our review of the count showed that a twelfth grade regular education student absent during the entire 10 day count period with no documentation of an expected return date, was included in the September 30, 2006 unit count.</p>
The Central School	Our review of the count showed that a tenth grade regular education student and a twelfth grade regular education student absent during the entire 10 day count period with no documentation of an expected return date, were included in the September 30, 2006 unit count.

**Finding - continued:** It is our determination that the above conditions are attributed to insufficient enrollment procedures and inadequate support. The disallowance of these 9 regular education students resulted in the loss of 1 regular education unit which is equivalent to \$64,862 of State funding.

**Recommendation:** It is our recommendation that the District thoroughly review its unit count policies and procedures with the schools noted above to ensure proper enrollment figures are reported to the DOE. It is further our recommendation that the District repay \$64,862 to the State of Delaware.

**District Response:** The District acknowledges the loss of the regular education units and the need to repay the \$64,862. It will increase the training to administrators on ensuring the documentation is present on outside agency placement and that, based on sufficient identification, students absent during the last 10 days be eliminated from the school enrollments.

**Agreed-Upon Procedure Number 3:** Select ten percent (10%) or a minimum of five "Individualized Education Program" (IEP) files at each school to verify that each file contains the required documentation in accordance with the DOE's Administrative Manual for Special Education Services (AMSES) and calculate the dollar impact of disallowed students, if applicable.

**Finding:** AMSES requires the "proper identification of students." We found that all files selected were current and contained the required documentation in accordance with DOE's Administrative manual, except as noted below:

School	Condition
A.I. du Pont High School	<p>Our review of the IEP files showed a ninth grade regular education student was reported as a part-time Learning Disabled student in the September 30, 2006 unit count.</p> <p>Our review of the IEP files showed a ninth grade part-time Physically Impaired student was reported as a full-time Physically Impaired student in the September 30, 2006 unit count.</p>
Baltz Elementary School	Our review of the IEP files showed a kindergarten regular education student was reported as a part-time Learning Disabled student in the September 30, 2006 unit count.
Conrad Middle School	Our review of the IEP files showed two sixth grade regular education students were reported as part-time Learning Disabled students in the September 30, 2006 unit count.
Dickinson High School	Our review of the IEP files showed a ninth grade part-time Learning Disabled student was reported as a full-time Learning Disabled student in the September 30, 2006 unit count.

It is our determination that the above conditions are a direct result of improper identification of students.

***Finding - continued:*** In addition to our findings noted above, during our procedures we became aware of a recent special education audit performed by the DOE at Lewis Elementary School. The DOE special education audit resulted in 4 full-time special education students being reassigned to regular education students due to irregularities found in their special education supporting documentation. In addition, 2 full-time special education students were reassigned to part-time special education students.

The Office of Auditor of Accounts and DOE requested us to include the DOE special education audit results in this report and our findings. It is our determination that the reassignment of students to their proper identification resulted in the loss of 2 special education units, equivalent to \$129,724 of State funding.

The DOE regulations state that a student disqualified by the audit process may be reassigned to another unit category but in no event can this reassignment result in an overall increase in units for a District. The District's regular education student count increased by 6.7 students. This increase in student count is not significant enough to negate the loss of the regular education unit identified previously in Agreed-Upon Procedure Number 2 under Student Enrollment.

***Recommendation:*** It is our recommendation that the District repay \$129,724 to the State of Delaware.

***District Response:*** The District acknowledges the loss of 4 special education students in the count due to the classification of these students as needing speech services wherein this classification is not eligible for a different unit ratio than regular education. In addition, 2 special education students were converted from full-time to part-time status due to the lack of documentation. The District will also increase the training to employees on compliance issues for the identification of full-time and part-time special education students. The District agrees to repay the \$129,724 for the conversion of these students from special education to regular education.

The District is still contesting the non-allowance of 4 students as special education since the teacher was not certified. However, the District applied for an emergency certification.

***Agreed-Upon Procedure Number 4:*** Select ten percent (10%) or a minimum of five students enrolled in the Cooperative Education and Diversified Education Programs and confirm that the students' files contain the required documentation in accordance with the DOE's Administrative Directives and calculate the dollar impact of disallowed students, if applicable.

***Finding:*** The District reported no students in either Cooperative Education or Diversified Education Programs.

## **AUTHORIZED POSITIONS**

### ***Agreed-Upon Procedure Numbers 1 and 2:***

- Determine if the District's control procedures for monitoring, tracking and reconciling the number of employees are adequate.
- Determine if the District's control procedures for monitoring and tracking salaries charged to the State's general fund are adequate.

**Finding:** The State of Delaware Budget and Accounting Policy Manual states that department or agency heads are responsible for establishing and maintaining an effective system of internal control. The manual goes on to further state that a well-designed system of controls include written policies and procedures to ensure that each control objective is met. Due to District oversight, the District has no set of written policies and procedures increasing the potential risk of noncompliance.

**Recommendation:** In order to comply with the State of Delaware Budget and Accounting Policy Manual, the District should develop a set of internal written policies and procedures regarding payroll to include the following:

- References to rules and regulations as stipulated by the DOE
- References to pertinent sections of the Delaware Code
- Detailed procedures for reconciling actual staff to Division I units
- Document retention to support the reconciliation process
- A management review process of staff listings and reconciliations including a time frame for completion

**District Response:** It should be noted that the District performs this reconciliation on a regular bi-weekly basis against the units authorized. The District acknowledges that there is no single source document for the internal review of salaries and units. The Office of Business and Finance will prepare the manual.

**Agreed-Upon Procedure Number 3:** Compare the number of paid positions by category to the number of authorized positions per 14 DE Code, Chapters 13 and 17.

**Finding:** When comparing the actual number of paid positions by category to the number of authorized positions as determined by 14 DE Code Chapters 13 and 17 it was determined that in the category of classroom teachers and paraprofessionals, the District was operating .08 above its number of authorized positions. The overfilling of classroom teachers and paraprofessionals resulted in unauthorized State funding of \$2,034.

It is our determination that the lack of an ongoing reconciliation of positions resulted in the variance noted above. In addition, employees' paid positions do not agree with job titles or object codes used in payroll reporting, increasing the risk for error in a reconciliation.

**Recommendation:** It is our recommendation that the District maintain an ongoing reconciliation of authorized positions to actual positions throughout the year. It is further our recommendation that the District repay \$2,034 to the State of Delaware.

**District Response:** The Red Clay Consolidated School District tracks unit allocations against payroll every pay period. The names of the positions in the District do not necessarily match the positions as noted in DOE position allocation. Nonetheless, the District acknowledges the over-utilization of .08 of a position and the repayment of \$2,034 to the State.

**Agreed-Upon Procedure Number 4:** Recalculate the annual salary of the following selected positions to determine if employees were paid in accordance with 14 DE Code, Chapter 13.

Superintendents	100%
Assistant Superintendents	100%
Principals	100%
Directors	100%
Classroom Teachers	10%

**Finding:** Delaware Code Title 14, Chapter 13 states that a principal is entitled to an additional annual amount for administration responsibility. This amount is based on a responsibility index which is specifically outlined in subsections (a), (b) and (d) of 1305 of the Title. Our recalculation found that three principal positions were underfunded from State funds and one principal was overfunded due to District oversight. Our results are as follows:

Position	Entitled Administrative Responsibility Index per subsections (a), (b) and (d) of 1305 DE Code, Title 14	Administrative Responsibility Index Used by the District	Dollar Impact
Principal	0.14	0.13	\$ (536)
Principal	0.12	0.11	(399)
Principal	0.13	0.00	(6,535)
Principal	0.12	0.13	544
			<u>\$ (6,926)</u>

As a result of the above, \$6,926 which was eligible to be paid from State funding was either charged to another source of funding or not paid at all.

Delaware Code Title 14, Chapter 13 also states that an employee is eligible to earn additional salary supplements for gaining skills and knowledge that lead to more effective instruction. Per subsection (k) of the Code, these stipends are to be calculated using the 10-month base salary. Our recalculation found that four administrators were overfunded from State funds due to the District using the administrators' total salary, before stipends, in calculating the stipend amount rather than the 10-month base salary. As a result, \$3,023 of unauthorized State funding was used to pay these administrators.

In addition, we determined that the District miscalculated the State funded salary portion for 1 director, 1 principal and 2 teachers. These miscalculations were a direct result of inaccurately entering updated salary information into the State's payroll system. As a result a total of \$880 which was eligible for State funding was charged to another source of funding or not paid at all.

**Recommendation:** It is our recommendation that the District repay the State of Delaware \$3,023 and correct their calculation of administrators' stipends to reduce the risk of future non-compliance.

It is further our recommendation that the District review all split funded salary positions to ensure both State and local funds are being charged appropriately and review all administrators' responsibility indexes and update them accordingly.



***District Response:*** It is agreed that a regular reconciliation of the administrative responsibility index should be done. It will be reported monthly prior to the second pay period posting to the payroll system. In addition, the District will file a request for \$6,926 to be returned to the local payroll as a result.

It is also acknowledged that \$880 in state salaries were charged to local funds. This will be requested from the state. However, a reconciliation of state salaries will be done monthly as well.

It is also agreed that the administrator's stipend should be calculated on the 10 month base salary. This will be identified as part of the monthly administrative responsibility index reconciliation done on a monthly basis. The District will return \$3,023 to the State for this miscalculation.

## **OCCUPATIONAL-VOCATIONAL UNIT DIVISION II FUNDS**

***Agreed-Upon Procedure Number 1:*** Obtain confirmation from the DOE if the District was granted a waiver of the 90% requirement to allocate the occupational-vocational unit Division II funding to each school that generated the funding.

***Finding:*** The District chose not to request a waiver from the DOE.

***Agreed-Upon Procedure Number 2:*** Review expenditure documents to determine if FY05 and FY06 occupational-vocational funds expended from July 1, 2005 through June 30, 2006 were (1) expended for State-approved occupational-vocational courses and programs within the District and (2) supported by adequate documentation and (3) properly coded in the Delaware Financial Management System (DFMS).

***Finding:*** All expenditures examined relating to FY05 and FY06 occupational-vocational funding, were determined to be (1) expended for State-approved courses and programs within the District and (2) supported by adequate documentation and (3) it was noted that all expenditure documents examined were properly coded in DFMS.

***Agreed-Upon Procedure Number 3:*** Review financial records to determine if FY05 and FY06 occupational-vocational funds were properly allocated to and spent by the schools within the District that generated the funding.

***Finding:*** Chapter 14 of DE Code Subsection 1706 entitled "Determination of Amount of Division II Appropriation" states that Division II funds (occupational-vocational funds) with the exception of Division II – energy funds, shall be allocated to each school that generates these funds and expended to support state-approved occupational-vocational courses and programs at that school.

It is our determination that FY05 occupational-vocational funds were properly allocated to each school but due to District oversight some schools overspent their allocation. As a result, some schools within the District were forced to spend less than their entitlement.

It is further our determination that the schools, as a whole, overspent their total FY05 occupational-vocational funds by \$4,468.

**Finding – continued:** Below is a partial summary of FY05 occupational-vocational funds by school:

School	Amount of Funding Allocated	Amount of Funding Expended	Difference
A. I. duPont Middle	\$ 15,465	\$ 14,079	\$ (1,386)
HB duPont Middle	46,069	26,396	(19,673)
Skyline Middle	16,467	5,468	(10,999)
Stanton Middle	19,446	26,711	7,265
Conrad Middle	22,479	28,275	5,796
Cab Calloway	10,346	7,102	(3,244)
Dickinson High	73,288	89,934	16,646
A.I. duPont High	63,159	57,521	(5,638)
McKean High	74,723	85,956	11,233
PACE/Telegraph Rd. ILC	2,688	3,247	559
Meadowood	18,820	22,729	3,909
	<u>\$ 362,950</u>	<u>\$ 367,418</u>	<u>4,468</u>

It is further our determination that FY06 occupational-vocational funds were not properly allocated to the schools that generated the funding. The District allocated FY06 occupational-vocational funds based on budgeted amounts.

Below is a partial summary of FY06 occupational-vocational funds by school:

School	Amount of Funding To be Allocated	Amount of Funding Actually Allocated	Difference
A. I. duPont Middle	\$ 28,738	\$ 29,050	\$ 312
HB duPont Middle	41,870	42,325	455
Skyline Middle	20,947	21,175	228
Stanton Middle	21,863	22,100	237
Conrad Middle	19,661	19,875	214
Cab Calloway	10,140	10,250	110
Dickinson High	66,404	67,125	721
A.I. DuPont High	66,750	67,475	725
McKean High	82,677	83,575	898
PACE/Telegraph Rd. ILC	2,715	3,279	564
Meadowood	21,720	16,240	(5,480)
	<u>\$ 383,485</u>	<u>\$ 382,469</u>	<u>\$ (1,016)</u>

**Recommendation:** It is our recommendation that the District implement a procedure which closely monitors the allocation and spending of occupational-vocational funds by school to comply with Chapter 14 of DE Code Subsection 1706.

It is further our recommendation that in order to comply with Chapter 14 of DE Code Subsection 1706, the District repay from local funds, \$45,408 to appropriation 0265-05 and make those funds available to the schools that generated the FY05 occupational-vocational Division II funding as well as repay the State, from local funds, \$4,468 which was over spent.

**Recommendation – continued:** It is further our recommendation that the District adjust the allocation of FY06 occupational-vocational funds by school to reduce the risk of misappropriating these funds in FY07.

**District Response:** The District allocates vocational funds to schools according to the number of units earned. The District does not re-allocate any of these funds from one school to another. In addition, the District does closely monitor the allocation and spending of occupational-vocational funds by school and does comply with Chapter 14 of DE Code Subsection 1706.

Each fiscal year there are two appropriations of vocational funds available, current year funding and carry over funding from the previous year. The District allows each school to spend or encumber funds not to exceed their FY allocation; however, it utilizes the oldest funds first. The District does not monitor funds by appropriation year, but rather by the total spent in any given fiscal year. Thus, the District has provided information to the auditors that reflect the District's monitoring efforts and substantiates the fact that expenditures are in line with school's budgets.

The District does acknowledge that the budget allocations as noted in the Final Budget are not correctly correlated to the budget allocations based on the units. The Final Budget allocations were estimates made prior to the allocation by DOE based on the certified unit count. The Final Budget was passed to these allocations being received. The District will attempt to align the budget allocations to the expected DOE allocations as practicably possible.

With regard to the overages noted in the special schools, the DOE allocated the funds and failed to reduce the allocation to the special schools. The District did not receive notification of the DOE transfer that would have reduced vocational funding for the special schools. Since the funds were available and the District had no knowledge of a reduction, the funds were expended. The District acknowledges the need to transfer funds back for the special schools, but does not accept responsibility for the oversight.

We were not engaged to, and did not; conduct an examination, the objective of which would be the expression of an opinion on compliance with specified laws. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the DOE and the District and should not be used by those who have not agreed to the procedures and have not taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited. This report, as required by statute, was provided to the Office of Auditor of Accounts, Office of the Governor, Office of Controller General, Office of Attorney General, Office of Management and Budget, and Secretary of Finance.

*Bellini, Lyons & Shuman, P.A.*

January 26, 2007  
Wilmington, Delaware